

REPRESENTATIVE DEREK KILMER



# OLYMPIC PENINSULA ECONOMIC DEVELOPMENT INITIATIVE

Strengthening the foundations of  
economic growth, promoting innovation  
and entrepreneurship, and protecting  
our most precious resources



JANUARY 17, 2014

# OLYMPIC PENINSULA ECONOMIC DEVELOPMENT INITIATIVE

## BACKGROUND

Growing up in Port Angeles, I saw firsthand the impact that job losses in the timber industry had on families in our community. Whether it was a neighbor who struggled to make ends meet, or a small business that had to close down, evidence of the loss of timber jobs was not hard to find. I became an economic development professional in large part because of that experience, and because I wanted to find a way to help communities in our region create more well-paying jobs.



Today, the Olympic Peninsula contains the highest unemployment rate in the state. Over the course of the last year, I've met with a wide range of constituents to discuss just what it will take to get our local economy really going again. What I've heard is that we actually have a lot of the key building blocks in place. We have a skilled workforce, strong ports, abundant natural resources, innovators, and entrepreneurs who are laying the foundation for long-term economic growth.

It's also clear that the federal government can help leverage these strengths to boost our local economy. That is why I am putting forward the OLYMPIC PENINSULA ECONOMIC DEVELOPMENT INITIATIVE—to outline ways in which we can advance policies that will help spur economic growth, strengthen the long-term viability of key industries, and protect our precious natural resources for future generations.

This initiative doesn't mark the end of the conversation. If you have further suggestions regarding how we can get folks back to work and get our economy humming again, please share your thoughts at [KilmerEconDev@mail.house.gov](mailto:KilmerEconDev@mail.house.gov).

Unemployment on the Olympic Peninsula is consistently higher than the state average, which was estimated to be 6.5% in November.

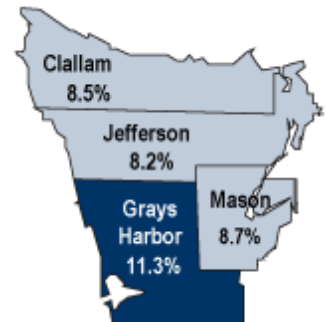


Figure 1: November 2013 Unemployment Rates (Washington Employment Security Department)

Sincerely,

Derek Kilmer  
U.S. Representative



### GROWING OPPORTUNITIES IN THE TIMBER INDUSTRY

Over the course of the past 35 years or so, our region has been forced to undergo a difficult restructuring of our economy. There were a number of factors that contributed to the decline, including changing technologies, increased global competition, and increased concerns about the health of our forests and critical habitats. The result was that our region was forced to find new ways to attract industries and get folks back to work.

While it is vitally important that our region continue the hard work of diversifying its economy, it is clear that the timber industry has been and should continue to play a meaningful role. Our timber products are among the highest quality and are truly an abundant, renewable resource. We can't go back to the harvesting practices of decades ago. But we should consider whether further steps can be taken—consistent with sound scientific practices—to balance competing land-use priorities in the Olympic National Forest. **That's why I brought industry and environmental leaders together to form a collaborative effort to explore ways we can accomplish these shared goals.**

The Olympic Peninsula Collaborative, modeled on similar partnerships elsewhere in Washington State and around the country, is a grassroots, stakeholder driven partnership and the first of its kind to be solely devoted to building greater consensus around public lands on the Olympic Peninsula. The Collaborative will be focused on how we can create a more environmentally healthy forest, provide for increased, sustainable timber harvests on the Olympic National Forest, and provide economic benefits to timber communities on the Olympic Peninsula.

When we launched this collaborative, Washington Manager of the American Forest Resource Council Matt Comisky said they were ready to work to “promote more balanced, innovative approaches to timber management that provide a sustainable future for our industry and the local communities as part of continued discussions about the future of the Olympic National forest.” I'm committed to being part of an ongoing discussion about how to balance priorities on federal lands over the long haul.

I am the co-chair of a bipartisan Caucus in Congress to support growth of the timber industry. There's plenty we should do. We should work to promote usage of wood-based products—both domestically and internationally. That is why I am pushing for **forest products to be placed on a level playing field with other biobased products**. It's also why I am fighting for **our forest products to be treated fairly by our trading partners** and working to advance strong provisions to **tackle illegal logging in foreign countries**, which undermines the competitiveness of American timber and threatens environmentally sensitive areas around the world. I have supported legislation that would give **greater regulatory certainty to our forest landowners**, prevent unnecessary and duplicative new regulations, and am pushing for policies designed to reflect the long-term investment that private forest landowners make.





### BRINGING JOBS BACK TO AMERICA, INVEST IN RURAL AREAS

As America's economy continues to make progress recovering from the depths of the recession, job creation has been uneven and too often concentrated in urban areas. After leading the world in manufacturing for decades, America's manufacturing sector is facing increased competition from developing countries, such as China. In order to enhance our global manufacturing competitiveness, Congress should work to help bring American jobs back from overseas.

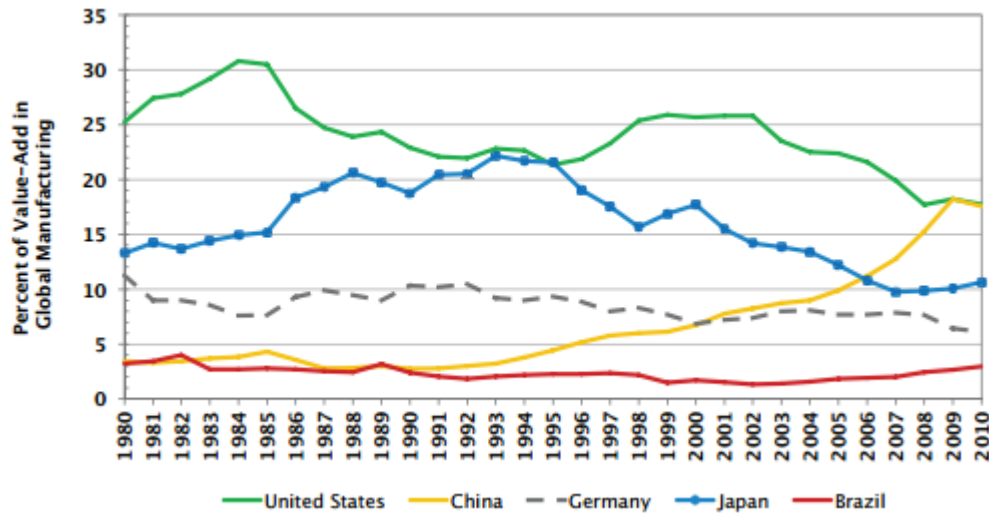


Figure 3: World Bank data. Courtesy of NAM, *Facts about Manufacturing*, 9th Ed.

I have worked on bipartisan legislation with Sen. Mark Warner and Rep. Frank Wolf **to bring jobs to rural regions by encouraging the return of jobs that have been off-shored to foreign countries.** The *America Recruits Act* would:

- Create a competitive grant program for states, to provide up to \$5,000 in forgivable federal loans for each new advanced manufacturing job created and maintained for at least five years within a designated rural or economically-distressed region of the country.
- Work with employers to develop training and education programs for the specific jobs available at area businesses, strengthening those programs which provide an industry-recognized credential for workers in the advanced manufacturing and information technology industries.
- Expedite federal financing to allow select manufacturing companies to increase export capacity.

The new jobs created would generate enough economic activity to offset the cost of the program through the increase in annual federal and state sales and income tax payments. High-end manufacturing and IT jobs have been found to “spin-off” other economic activity, including the creation of between four and five additional new jobs.

### ENHANCING OUR INFRASTRUCTURE

Major weather events, such as tsunamis and flooding along western Washington, have highlighted the risks many coastal communities—including tribes—face. Recent studies show that our region has historically experienced very large earthquakes that can generate massive flooding. Scientists believe Washington's coast has suffered from catastrophic earthquakes and tsunamis six times in the last 7,000 years, with the last major event taking place in 1700. The Cascadia Subduction Zone located 32-70 miles offshore could generate another giant earthquake and tsunami at any time. In order to promote the safety of our coastal communities, we must be sure that we have robust warning and mitigation measures in place now.



To that end, I will soon introduce the ***Coastal Resiliency Act of 2014***, which would direct the federal government to provide financial and technical assistance to coastal states in order to achieve vital national objectives. These objectives include protecting our local communities from natural hazards, fulfilling our trust and treaty obligations to tribal communities, maintaining working waterfronts, and protecting coastal habitats. The federal government is an indispensable partner in our mitigation, response, and development efforts and should work with communities to make the investments today that will strengthen our coastal efforts for decades to come.

As the House considers potential reauthorization of the Surface Transportation legislation, known as ***MAP-21***, I am also advocating for Congress to do more to promote the mobility needs of disabled and transit-dependent populations in rural areas. Congress must include provisions to ensure all regions can make critical transportation system upgrades and focus on the real safety hazards on our rural roads and bridges.



Figure 4: Coast at Risk (WA State Department of Ecology)

The transit of information is just as critical as surface transportation and expanding our communities' access to high-speed broadband is important to any economic development effort. Businesses cannot stay open unless they can transport their goods and services to consumers. When I entered office, more than 10,000 people in Washington's 6th Congressional District did not have access to wireline broadband. At the same time, our district ranked in the bottom 20% nationally in terms of broadband speed and access to technology options. If we want to help existing businesses in our communities, bring new

## OLYMPIC PENINSULA ECONOMIC DEVELOPMENT INITIATIVE

businesses to Main Street, improve the education of our children, and enhance public safety, we need to expand both access to broadband and its quality.

I am introducing the ***Promoting Rural Broadband Act*** to address these concerns. This legislation directs the Federal Communications Commission to promote the expansion of spectrum-based services, like broadband to extremely hard to serve populations in unserved and underserved geographic locations. It is critically important that our homes, businesses, schools, and hospitals have access to the communication networks that they require.

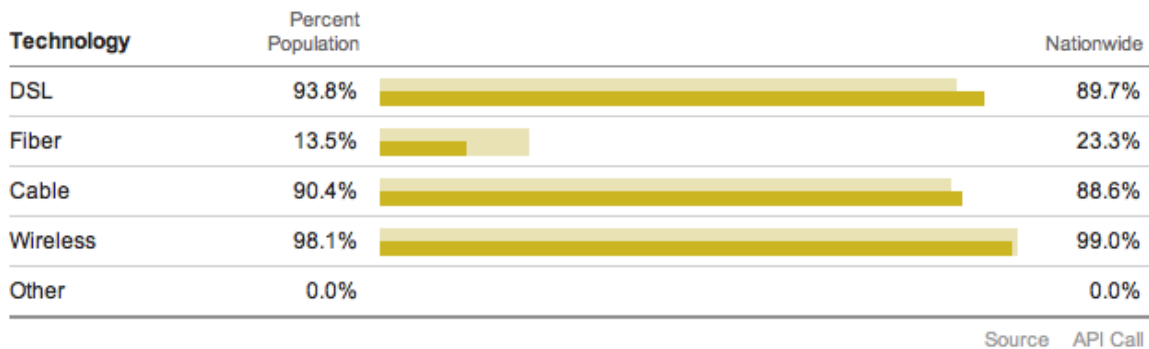


Figure 5: Broadband Coverage in Washington's 6th Congressional District (The National Broadband Map)

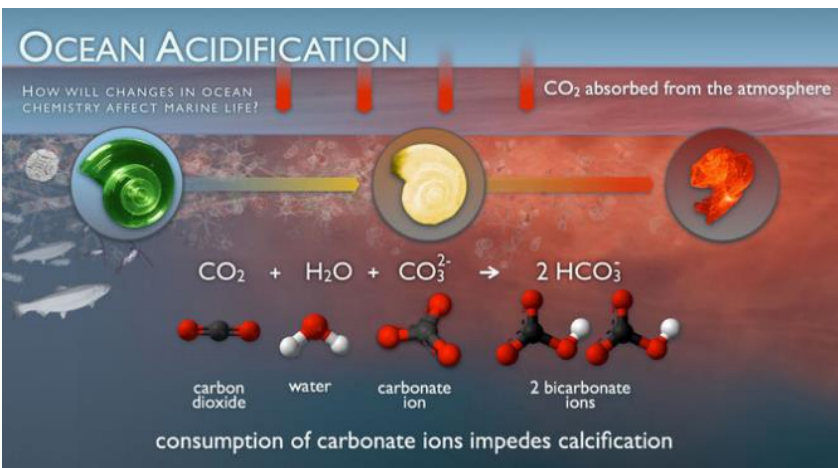
### PROTECTING OUR FISHERIES

The Olympic Peninsula and our coastal communities are not only a special place to build a life, but are also habitats critical for supporting our shellfish industry and significant recreational and commercial fishing businesses. To that end, I believe we must carefully balance protecting the environment these industries depend on, while not harming family wage jobs.

Our region supports Washington State's nation-leading production of farmed clams, oysters, and mussels. Our growers contribute more than \$250 million to Washington State's economy and support over 3,200 jobs. In our region, the shellfish industry is the second largest employer in Mason County.



That is a significant reason I have introduced the ***Wild Olympics Wilderness and Wild and Scenic Rivers Act of 2014***. As Bill Taylor of Taylor Shellfish said, "By protecting Olympic Peninsula forest and river watersheds we can ensure clean and safe water so that shellfish companies can continue to grow and further benefit the economy and ecology of Washington State."



While our region has made great improvements to the environmental quality of our waters, new threats are continuing to emerge. As a region, we must take action to combat risks that could damage the long-term viability of the industry--- one of the most threatening being ocean acidification. This is why I am introducing a discussion draft of the ***Ocean Acidification Innovation Act***.

Figure 6: Courtesy of NOAA Pacific Marine Environmental Laboratory

Along with my Puget Sound Caucus co-founder Representative Denny Heck, we have met with stakeholders to work on new measures to monitor the health of our coastal waters and study the long-term causes and consequences of ocean acidification on our fisheries. The ***Ocean Acidification Innovation Act*** takes an innovative approach to motivating stakeholders from a variety of backgrounds to participate in prize competitions. Specifically, my proposed legislation would provide agencies the ability to carry out these competitions to stimulate innovation and advance our ability to understand, research, and monitor ocean acidification and its impacts.

## OLYMPIC PENINSULA ECONOMIC DEVELOPMENT INITIATIVE

---

The impacts of ocean acidification require further study and analysis. We have begun to see the tangible effects on our shellfish industry. We need to take a proactive approach to combating this threat. The commercial and recreational finfish fishing industry in Washington State alone supports over 67,000 jobs and contributes over \$300 million in revenue. Along with Representative Denny Heck and the Puget Sound Caucus members, I am committed to working with scientists, industry stakeholders, and state and federal agencies to find and implement strategies to reduce the effects ocean acidification can have on our fishing industry.



## OLYMPIC PENINSULA ECONOMIC DEVELOPMENT INITIATIVE

### SUPPORTING INNOVATION AND NEW MARKET OPPORTUNITIES

The Olympic Peninsula is unique not only for its abundance of natural resources but also for its strategic location, along the Pacific Ocean and Puget Sound, positioning it as a natural hub of commerce. I believe our region has the ability to leverage these advantages and build sustainable industries that can bring jobs back to the Olympic Peninsula. This is why I am introducing the ***Regional Innovation and Entrepreneurship Enhancement Act***. We must encourage inter-related industries to build upon existing capabilities that will create jobs at all levels of production.



***The Regional Innovation and Entrepreneurship Enhancement Act*** would ensure that the federal government's Regional Innovation Program can continue to bring together firms and industries within a region to address common needs related to talent, technology, or infrastructure. These clusters have proven to be a successful tool in spurring economic development and I have included a provision in the bill to direct the Commerce Department to boost their focus on bringing these programs to rural areas. My goal is to encourage local industries out on the Olympic Peninsula to take advantage of this program to help develop new markets, attract new investment, or train a highly skilled workforce.

My bill would also extend the Office of Innovation and Entrepreneurship and strengthen its ability to facilitate federal loan guarantees for innovative technologies in manufacturing, the Regional Innovation Program, and other successful program such as the i6 Challenge and the Jobs and Innovation Accelerator Challenge. These programs have helped local, regional, and state entities leverage existing resources and collaborate with business interests to spur job creation. As we pursue opportunities, for example with composites or other technologies, these can be important tools



The bottom line is if our region is to become competitive in a 21<sup>st</sup> century economy, we need to raise our game. As a country, we need to put stronger investments towards innovation activities that will help regions of high-need tap into a workforce that can compete with our foreign competitors. I believe ***the Regional Innovation and Entrepreneurship Enhancement Act*** will help the Peninsula, and similar communities across the country, build a sustainable workforce that can leverage talent, resources, and financial support to create industries that will not outsource our talent, but keep jobs here at home.

In my travels throughout the Olympic Peninsula, I have seen truly innovative work being done among advanced composite manufacturers in our region. These businesses are developing cutting-edge materials that are stronger, lighter, and cheaper than many products commonly used in a wide variety of fields. I am

## OLYMPIC PENINSULA ECONOMIC DEVELOPMENT INITIATIVE

**working with local industry and community leaders to support initiatives that would promote more coordinated training of our workforce and shared opportunities to promote research and development on the Olympic Peninsula.**

In addition, I am working on the promotion of Cross-Laminated Timber (CLT). CLT is an exciting new building material that is growing in popularity in both Canada and Europe due to its reduced impact on the environment, lower life cycle costs, and stability under seismic activity. Specifically, **I plan on bringing together the parties who are interested in researching, producing, and using CLT to identify how they can work together and create jobs in our community.** As a Member of the House Armed Services Committee, **I am working to encourage the Department of Defense, one of our nation's largest construction consumers, to support research of alternative building materials such as CLT, and to prefer its use when appropriate.** I am committed to this effort not only because it could produce well-paying jobs in our community, but because it could help protect the workers and missions across Naval Base Kitsap and improve the Pentagon's ability to lower the cost of building and maintaining infrastructure.



Figure 7: FPInnovations – CLT Primer

### PROMOTING COMPETITIVENESS THROUGH LIFE-LONG LEARNING

As new industries and opportunities develop, the workforce on the Olympic Peninsula needs to have the tools available to them to stay competitive throughout their careers. That is why I have introduced H.R. 1939, the ***Skills Investment Act***, which would create Lifelong Learning Accounts to help workers pay for the skills, training, and education they need to stay competitive for years to come. For employers, these accounts offer a new way to attract and retain motivated employees.



Contributions are tax free, and both workers and employers get tax credits for their contributions to the accounts. Workers also receive guidance on the high-growth, high-demand jobs in their area and assistance identifying how they can get the training and knowledge they need to be strong candidates for those positions. These programs have already demonstrated their success in state-led pilot projects, including one in the State of Washington. Specifically, this legislation would:

- Provide grants to states, which design, establish, and implement Lifelong Learning Account (LiLA) programs. The federal government provides 80% of the cost. States provide the remaining share in cash or in kind, or from state, local, or private sources.
- Allow workers as young as 16 to open lifelong learning accounts that can accrue up to \$5,000 annually. Workers can use the accounts to pay for tuition, fees, books, supplies, equipment, tools, prior learning and competency-based assessments, and information technology devices. Additionally, these workers may receive a refundable tax credit of up to \$875 per year for their contributions (50% of the first \$500 of contributions, and 25% for the next \$2,500).
- Create a tax credit for employers with 250 or fewer employees for 25% of their contributions to their employees' accounts. They can receive an additional credit of up to \$500 for as many as three years to cover their administrative costs.
- Allow third parties, including states, to also make contributions to the accounts.
- Deliver career counseling from existing one-stop career centers to employees who use the LiLA account on how they can enhance their skills and training to meet their career goals and stay competitive in high-skill, high-demand industries.

## OLYMPIC PENINSULA ECONOMIC DEVELOPMENT INITIATIVE

---

For employers, these accounts offer a new way to attract and retain motivated employees. This program is a partnership with the states and allows them to develop their own innovative approaches to encourage workers and employers to invest in skills development.

Speaking about this program, Cindy Zehnder, chair of Washington's Workforce Training and Education Coordinating Board said, "Washington's workers and their employers have demonstrated how valuable this new education co-investment model can be. Since our state's pilot project launched in 2009, participating employees have invested nearly \$20,000 in a variety of education programs, gaining new skills and advancing their careers in an affordable way."



### CONCLUSION

When I was working at the Economic Development Board in Tacoma, I had a sign up in my office that said, “we are competing with everyone, everywhere, every day, forever.” As a region, we cannot sit back and wait for opportunities to come our way.

Together, I believe these initiatives represent a positive step forward for our region. Ultimately, I believe our economy and our community make progress best when all oars are in the water rowing in the same direction (rather than using the oars to beat each other over the heads). I look forward to continuing the discussion and working to promote development on the Olympic Peninsula.

